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RUEHBJ/AMEMBASSY BEIJING 0688  
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RUEHBS/AMEMBASSY BRUSSELS 1247  
RUEHBY/AMEMBASSY CANBERRA 0567  
RUEHOS/AMCONSUL LAGOS 1193  
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SUBJECT: KIMBERLEY PROCESS - STATUS QUO OR MORE?

¶1. SUMMARY: The Diamonds - Source to Use 2007 Colloquium in Johannesburg offered heated discussion on whether to expand the Kimberley Process from its successful efforts combating conflict diamonds to include mitigation of illicit diamonds, artisanal mining, and lack of transparency. World Federation of Diamond Bourses President Ernest Blom made a persuasive case that the voluntary Kimberley Process should continue doing what it does well and let other entities address broader and more difficult issues. Minerals-Energy Officer and Specialist attended the Diamond Colloquium on October 25-26. Septel will report on the balance of diamond issues raised. End Summary.

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Success Story Against Conflict Diamonds  
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¶2. World Federation of Diamond Bourses President Ernest Blom lauded the success of the Kimberley Process in the second day opening speech, noting that its 47 members (including the EU, so representing 73 countries in total) represent 99.8 percent of global trade in diamonds. Blom said only 0.2 percent of diamonds were currently not accounted for, compared to 4 percent in 2000 when the Kimberley Process was launched. He stated that the only significant non-Kimberley producer is the Ivory Coast. Blom cited recent achievements of gaining Turkey as the 47th member and earlier admitting Liberia after the lifting of UN sanctions. He noted that the movie "Blood Diamonds" was factual as of 1999, but the Kimberley Process had dramatically ameliorated the situation as of 2007. Blom explained that the World Diamond Council (WDC) did an extensive campaign to publicize the benefits of diamonds to Africa in response to the movie. He lamented that the movie refused to do a disclaimer to this effect. Blom took note of the WDC country review of Zimbabwe and asserted that allegations of smuggling of its diamonds via South Africa were untrue.

¶3. Blom criticized NGO's for "refusing to admit the success of the Kimberley Process", emphasizing that no other product in the world has been so self-regulated. In a separate meeting with Minerals/Energy Officer and Specialist in his Johannesburg CBD "Jewelry City" offices, Blom repeated that the Kimberley Process has not been given adequate credit for its accomplishments. He emphasized the need to keep the process in place against potential

for future conflict. Blom also described the detailed "chain of warranties" or "know your client" system applied to processed diamonds which militated against illicit diamonds.

14. De Beers Managing Director Faried Sallie told Minerals/Energy Officer and Specialist in a separate meeting that the Kimberley Process had been a highly effective mechanism. He stated that all diamonds purchased and sold by De Beers are 100 percent conflict-free. South African Diamond and Precious Metals Regulator CEO Louis Selekane, who works with SA Customs to provide Kimberley certification, also described the process as successful both in Qcertification, also described the process as successful both in South Africa and globally.

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Role of NGO's  
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15. At the Diamond Colloquium, South Africa Institute of International Affairs official Tim Hughes argued on behalf of the importance of NGO's in the Kimberley Process. He emphasized the value of trilateral collaboration with industry and governments, noting that without NGO's, there would not have been a Kimberley Process.

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What About Illicit Diamonds and Artisanal Diggers?  
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16. Hughes called for the Kimberley Process to expand its efforts to more broadly combat illicit diamonds and to address the social problems of artisanal diggers. He admitted that many stakeholders would argue against "mission creep", but he argued for the need for industry, governments, and NGO's to tackle this challenge that

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contributed to smuggling and conflict. Hughes commended the De Beers-led public-private partnership Diamond Development Initiative, launched in Accra in 2005, as targeting financing and underlying conditions of artisanal miners. He asserted that alluvial diamond artisan diggers were one million strong and struggled to survive on less than one dollar per day. Finally, Hughes called for the Kimberley Process to have more "teeth", lauding the recent booting out of Venezuela for non-compliance.

17. Southern Africa Resource Watch official Claude Kabemba also called for expansion of the Kimberley Process mandate to more broadly target illicit diamonds. He also noted that other minerals, such as gold, have financed conflict in Angola, DRC, and elsewhere. Kabemba stated that because Kimberley is voluntary and reliant on government buy-in, the initiative is weakened by countries like DRC and Angola, which either do not control their borders and commerce or do not choose to control their resources. He asserted that the Kimberley Process deals only with symptoms, but does not address governance and transparency.

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Comment - If It Ain't Broke Don't Fix It  
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18. The Diamond Colloquium provided a forum for NGO's to seek to stretch the envelope on the Kimberley Process mandate, but World Federation of Diamond Bourses President Ernest Blom made an effective case that the voluntary Kimberley Process should continue doing what it does well and let other entities address broader and more difficult issues. His view carried the day at the conference. Moreover, new conflicts unfortunately can always ignite in diamond producers, especially in Africa, and the world community should keep this useful tool tee-ed up and ready for future use.

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